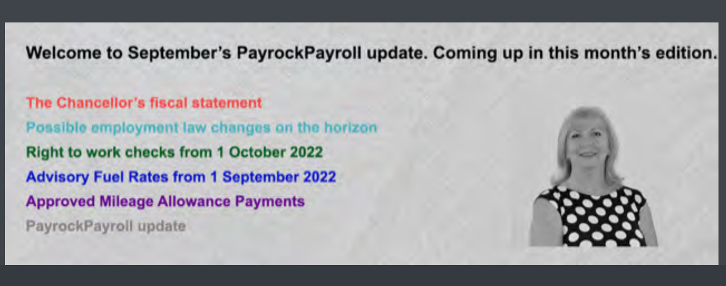
PAYROCKPAYROLL

Updates, Support, Networking for the Payroll Community



Hi

Oops! There was a slight error in the earlier newsletter. Here's the amended version.
It's been rather quiet over the summer, with the government not making any significant decisions whilst the election of the new Conservative party leader, and therefore our new Prime Minister, was underway. In fact the country was desperate to hear something, anything, about how the Cost of Living crisis would be addressed. Well, we should be careful what we wish for, because, following the Chancellor's "mini-budget" we've got more information than our heads, though hopefully not our payroll software, can cope with.

The Chancellor's fiscal statement

When a Chancellor delivers a Budget it must be accompanied by independent economic forecasts which are put together by the Office for Budget Responsibility. So, instead of a Budget, Chancellor Kwasi Kwarteng delivered a **fiscal statement** on 23 September meaning that we will have to wait until later in the financial year for the OBR assessments of the economy. But even though it wasn't a full-scale Budget, there were still a lot of significant changes announced which we need to understand and implement very quickly.
National Insurance rates reduced from 6 November 2022
The previous Chancellor, Rishi Sunak, announced that National Insurance rates would increase by 1.25% from 6 April, a temporary measure ahead of the introduction of a Health and Social Care Levy in April 2023. However, on 23 September the current Chancellor reversed the 1.25% increase in National Insurance rates for the remainder of the tax year, though the reduction will not be backdated. This reduction comes into effect from 6 November, only six weeks away. It's likely that there will be some employers who will not be able to make these changes in time, which means that refunds may be needed.
HMRC had previously asked software developers and employers to include a temporary generic message on payslips for the tax year 2022-2023 to explain the reason for the increased NICs. This message will not be applicable from 6 November 2022 and employers should now remove it from payslips.
The Health and Social Care Levy, which was scheduled to come in April 2023, has been scrapped.
The Class 1 NIC rates for 2022-23 are now as follows:

Rates	2022-23 6 Apr-5 Nov %	2022-23 6 Nov - 5 Apr %
Employee		
On earnings up to PT	0	0
On earnings between PT and UEL	13.25	12.0
On earnings above UEL	3.25	2.0
Married women's reduced rate	7.10	5.85
Deferred rate	3.25	2.0
Employer		
On earnings up to ST	0	0
On earnings above ST	15.05	13.8
On U21 earnings between ST and UST	0	0
On apprentice earnings between ST and AUST	0	0
On earnings between ST and FUST / VUST	0	0
On earnings above UEL / UST/ AUST / FUST / VUST	15.05	13.8

Class 1A and Class1B NICs
Although Class 1 NIC is generally calculated and collected on a pay period basis for both employees and employers, other types of NICs are calculated on an annual basis. Directors' NICs may be calculated on an annual basis, along with Class 1A NIC on benefits in kind and Class 1B on PAYE settlement agreements (PSAs). To ensure parity with those who pay NICs each pay period, HMRC has announced an average or "blended" rate which should be applied to annual payments.
Class 1A and 1B NIC is payable by employers and this rate will now change, though the rate payable will depend on the reason it is paid and when.
Employees in receipt of a termination or sporting testimonial payment do not pay Class 1 NIC, instead their employer pays Class 1A NIC in real time at the point payment is made. In these instances the rate payable will be the rate in force at the time. In simple terms if the payment is made to the employee before 6 November the Class 1A rate will be 15.05% and 13.8% if payment is made to the employee on or after 6 November.
However, Class 1A NICs paid by employers in July 2023 in respect of expenses and benefits provided to employees during 2022-23 will use the blended rate of 14.53%. The same blended rate will also apply to Class 1B NICs.
Directors' NIC
There are two ways of calculating Directors' NIC. Those who use the **annual** method of calculation will use the blended rate of 14.53% for employers and 12.73% for the directors themselves (for directors on NI category A). Those who use the **alternative** method where directors' NICs are worked out like an employee's each time they are paid should use the rates in force at the time per the table above.
Changes to income tax rates from 6 April 2023
The National Insurance changes had been widely predicted for some time, but changes to income tax came as more of a surprise. Kwasi Kwarteng brought forward by 12 months a planned reduction in the basic rate of income tax from 20% to 19% from 6 April 2023. In addition, he also announced that from the same date the additional rate of income tax of 45% for those earning above £150,000 will be abolished. This means that all annual income above £50,270 will be taxed at 40%, the current higher rate of income tax.
These tax cuts apply in England, Wales and Northern Ireland. Scotland sets its own rates so is not affected.
Off-payroll working rules repealed
The Chancellor didn't only restrict himself to announcing monetary changes, he also announced changes which the government believes will remove, or at least ease, administrative burdens on businesses, therefore boosting economic growth.
And one of these announcements will have a significant impact on many payroll and HR departments, as we now know that the changes to the off-payroll working rules, introduced in the public sector in 2017 and extended to medium and large-sized organisations in the private and voluntary sectors in 2021, will be reversed. This means in practice that from 6 April 2023, workers providing their services via an intermediary will, once again, be responsible for determining their own employment status and paying the correct amount of income tax and National Insurance contributions.
September's Payroll Update webinar
Find out more about all these changes in this month's free Payroll Update webinar being held on Friday 30 September at 10.00. Register your place here

Possible employment law changes on the horizon

It was only one sentence in the Chancellor's statement, and his mention of "sunsetting" EU regulations by December 2023 may have been overlooked by those focussing solely on the tax cuts.
It doesn't have the catchiest of titles but the Retained EU Law (Revocation and Reform) Bill which was published on 22 September has the potential to impact everybody in the UK.
When we left the EU, legislation was passed which incorporated EU law into UK law. This Bill aims to overturn that, allowing the UK government to make its own legislation. And let's be honest, that was one of the main drivers for people voting for Brexit. But there is concern in some quarters that the reduction of burdens on business to improve growth may lead to the removal or relaxation of some employment rights such as:

- TUPE
- Paid annual leave
- 48 hour working week
- Part-time and fixed-term worker regulations
- Agency worker regulations

There's no doubt that some of these regulations are a nightmare for businesses to administer, but on the other hand, some of these regulations brought employment protections that we all value. We must just hope that a fair and common-sense approach is taken to remove the elements which tie businesses up in knots, whilst also protecting those hard-won rights which many of us now take for granted.

Right to Work checks from 1 October 2022

Every employer, no matter how big or small needs to check that every individual they employ has the right to work in the UK. This must be carried out before that person starts their employment, and failure to do so could result in fines of up to £20,000 per employee and potential reputational damage if that person is found to be an illegal worker.
In the past, the majority of checks had to be carried out in person, so when the COVID-19 pandemic made it impossible to meet face to face, employers couldn't carry out Right to Work checks in person.
The Home Office addressed this by introducing temporary concessions allowing employers to carry out remote Right to Work checks. The adjustments allowed employers to carry out Right to Work checks over video calls and permitted job applicants and existing workers to send scanned documents or a photo of documents for checks rather than sending originals.
However, the modified scheme is due to end on 30 September 2022. This means that from 1 October, employers will need to either:

- Perform an in-person manual check using original documents
- Perform an online check using the Home Office online service
- Engage the services of a certified Identity Service Provider (IDSP)

An IDSP is a certified identification document validation technology service provider who carries out digital identity checks on behalf of the employer for individuals who are not within scope of the Home Office online service.
The verification process provided by an IDSP will validate the identity of the applicant and their documents remotely. Initially, the verification process will only cover British and Irish citizens, which covers the vast majority of Right to Work checks.
The changes present significant challenges for some businesses, such as those operating with a fully remote workforce. Although retrospective checks are not required for those employees who had a COVID-19 adjusted check between 30 March 2020 and 30 September 2022 (inclusive), employers will need to ensure processes are in place to comply with the rules when the concessions end.

Advisory Fuel Rates from 1 September 2022

HMRC has announced the latest Advisory Fuel Rates to be used from 1 September 2022. The previous rates can be used for up to one month from the date the new rates apply. Advisory Fuel Rates are used by employers to either reimburse employees for business travel in company cars, or to reclaim back from employees the cost of fuel used for private travel in a company car.
The advisory electricity rate for fully electric cars is 5 pence per mile.
Hybrid cars are treated as either petrol or diesel cars for Advisory Fuel Rates.
The Advisory Fuel Rates for petrol, LPG and diesel cars are shown in the tables below. Previous rates are in brackets:

Engine size	Petrol	LPG
1400cc or less	15p (14p)	9p (9p)
1401cc to 2000cc	18p (17p)	11p (11p)
Over 2000cc	27p (25p)	17p (16p)
Engine size	**Diesel**	
1600cc or less	14p (13p)	
1601cc to 2000cc	17p (16p)	
Over 2000cc	22p (19p)	

Employers cannot reimburse more than the Approved Mileage Allowance Payments

As fuel prices continue to soar, it is unsurprising that the Advisory Fuel Rates have risen significantly since the beginning of this year. But what is surprising is that the Approved Mileage Allowance Payments - the authorised mileage allowance payments where employees use their own car or van etc for business journeys – have remained unchanged since 2011.
Due to the rapidly increasing cost of fuel, the government has been repeatedly subjected to Parliamentary Questions and an online petition lobbying it to increase the pence per mile figure to reflect higher fuel costs. However, the government has now been forced to issue a written ministerial statement to correct its responses to the questions raised, because it incorrectly stated that employers could reimburse actual amounts incurred (income tax and NIC free), providing they could show evidence of these costs. This is technically inaccurate, the tax and NIC exemption only applies if the payments do not exceed the approved amount for the vehicle.

HMRC's online guidance has remained that employers cannot pay above the figures shown in the table below:

Authorised Mileage Allowance Payments		
Vehicle etc	Mileage	2022-23
Cars and vans	First 10,000 miles	45p
	Over 10,000 miles	25p
Pedal cycles	All	20p
Motorcycles	All	24p

PayrockPayroll Update

September's Payroll Update webinar
Just a reminder that you can catch up with all the latest from the Chancellor's mini-budget in this month's Payroll Update webinar taking place at 10.00 on 30 September. You can register your place here
MBKB 2022-23 payroll factcard available from the MBKB website
We have collated all the payroll facts and figures that you will need for the tax year into one factcard which is free to download from the MBKB website
Payroll support helpdesk available to PayrockPayroll members
As payroll processing gets ever more complicated, we know that, much as we would like to, none of us can know everything, and here at PayrockPayroll we want to help. As a PayrockPayroll member you have access to our payroll support helpline. Several of you have already used this service, all you need do is email your query to **payrollsupport@mbkbgroup.com** but please remember to write your membership number in the subject line, it was included in your membership pack email.
As a reminder, your Tier 2 PayrockPayroll membership includes:
• Payroll Update sessions – Online monthly
• PayrockPayroll e-newsletter – Monthly
• Payroll helpdesk / support - 10 queries
• 1 x short course delivery
• PayrockPayroll - Annual Industry Festival

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